

## Issuer Profile: City Developments Ltd (“CDL”)

Neutral (3)

### Ticker:

CITSP

Wong Hong Wei, CFA

+65 6722 2533

[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

### New Issue

- CDL is pricing a new SGD 5-year issue, with initial price guidance at 2.80% area.
- We believe CDL may deploy the proceeds to fund or refinance significant acquisitions in 2019 (e.g. [SGD1.34bn takeover of Millennium & Copthorne Hotels PLC \(“M&C”\)](#), [SGD344mn acquisition of Shanghai’s Hongqiao Sincere Centre](#)).

### Recommendation

- The new issue offers a slight spread pickup (~5bps) relative to its own curve, which we think offers an opportunity for investors keen on the CITSP curve.
- That said, we are overall **Neutral on the CITSP curve (including the new issue at IPG)**. While the CITSP curve offers slightly wider spreads than the CAPLSP curve, we expect credit metrics of CDL to continue to deteriorate due to significant acquisitions.
- As mentioned in our [Credit Outlook 2020](#), aside from acquisitions of M&C and Shanghai’s Hongqiao Sincere Centre, we expect more capital outlay as (1) CDL may undertake asset enhancement initiatives in the M&C portfolio, (2) develop unutilized land, (3) redevelop its existing portfolio following the CBD Incentive Scheme and (4) acquire investment properties to grow recurring income.
- Generally, we think that the higher grade developers are trading slightly tight, especially if they are still leveraging up. We prefer FPLSLP ‘26s instead which offer significantly higher yields and spreads.

### Relative Value:

| Bond                   | Issuer Profile     | Maturity    | Ask YTW      | Spread        |
|------------------------|--------------------|-------------|--------------|---------------|
| <b>New CITSP issue</b> | <b>Neutral (3)</b> | <b>TBC</b>  | <b>2.80%</b> | <b>131bps</b> |
| CITSP 3% '24           | Neutral (3)        | 17/01/2024  | 2.67%        | 121bps        |
| CITSP 3.9% '24         | Neutral (3)        | 31/03/2024  | 2.65%        | 119bps        |
| CITSP 3.78% '24        | Neutral (3)        | 21/10/2024  | 2.74%        | 125bps        |
| CITSP 3.48% '26        | Neutral (3)        | 15/06/2026  | 2.87%        | 130bps        |
| CAPLSP 3.8% '24        | Neutral (3)        | 28/08/2024  | 2.64%        | 116bps        |
| UOLSP 3% '24           | NR                 | 23/05/2024  | 2.62%        | 115bps        |
| FPLSP 4.25% '26        | Neutral (4)        | 21/004/2026 | 3.66%        | 210bps        |
| CCTSP 3.327% '25       | Neutral (3)        | 21/03/2025  | 2.59%        | 108bps        |
| SUNSP 3.355% '25       | Neutral (4)        | 07/02/2025  | 2.93%        | 143bps        |

*Indicative prices as at 14 January 2019 Source: Bloomberg*

### Background

- Listed in 1963, City Developments Ltd (“CDL”) is an international property and hotel conglomerate. CDL has three core business segments – property development, hotel operations and investment properties.
- CDL’s hotel operations are conducted through its wholly-owned subsidiary, Millennium & Copthorne Hotels PLC (“M&C”), while the investment and development property portfolio is Singapore-centric.
- CDL is a subsidiary of Hong Leong Group Singapore, a conglomerate controlled by the Kwek family.

### Recent write-ups from OCBC Credit Research

- [Singapore Outlook 2020 \(03 Jan 2020\)](#)
- [Asian Credit Daily \(13 Nov 2019\)](#)
- [CDL Earnings Review 2Q2019 \(15 Aug 2019\)](#)

### Explanation of Issuer Profile Rating / Issuer Profile Score

**Positive (“Pos”)** – The issuer’s credit profile is either strong on an absolute basis, or expected to improve to a strong position over the next six months.

**Neutral (“N”)** – The issuer’s credit profile is fair on an absolute basis, or expected to improve / deteriorate to a fair level over the next six months.

**Negative (“Neg”)** – The issuer’s credit profile is either weaker or highly geared on an absolute basis, or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings into a 7 point Issuer Profile Score scale.

| IPR | Positive |   | Neutral |   |   | Negative |   |
|-----|----------|---|---------|---|---|----------|---|
| IPS | 1        | 2 | 3       | 4 | 5 | 6        | 7 |

**Please note that Bond Recommendations are dependent on a bond’s price, underlying risk free rates and an implied credit spread that reflects the strength of the issuer’s credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.**

### Explanation of Bond Recommendation

**Overweight (“OW”)** – The performance of the issuer’s specific bond is expected to outperform the issuer’s other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

**Neutral (“N”)** – The performance of the issuer’s specific bond is expected to perform in line with the issuer’s other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

**Underweight (“UW”)** – The performance of the issuer’s specific bond is expected to underperform the issuer’s other bonds, or the bonds of other issuers either operating in the same sector or in a different sector but with similar tenor over the next six months.

### Other

**Suspension** – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed.

**Withdrawal (“WD”)** – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

## Treasury Research & Strategy

### Macro Research

**Selena Ling**

Head of Strategy & Research  
[LingSSSelena@ocbc.com](mailto:LingSSSelena@ocbc.com)

**Tommy Xie Dongming**

Head of Greater China Research  
[XieD@ocbc.com](mailto:XieD@ocbc.com)

**Wellian Wiranto**

Malaysia & Indonesia  
[WellianWiranto@ocbc.com](mailto:WellianWiranto@ocbc.com)

**Terence Wu**

FX Strategist  
[TerenceWu@ocbc.com](mailto:TerenceWu@ocbc.com)

**Howie Lee**

Thailand, Korea & Commodities  
[HowieLee@ocbc.com](mailto:HowieLee@ocbc.com)

**Carie Li**

Hong Kong & Macau  
[carierli@ocbcwh.com](mailto:carierli@ocbcwh.com)

**Dick Yu**

Hong Kong & Macau  
[dicksnyu@ocbcwh.com](mailto:dicksnyu@ocbcwh.com)

### Credit Research

**Andrew Wong**

Credit Research Analyst  
[WongVKAM@ocbc.com](mailto:WongVKAM@ocbc.com)

**Ezien Hoo**

Credit Research Analyst  
[EzienHoo@ocbc.com](mailto:EzienHoo@ocbc.com)

**Wong Hong Wei**

Credit Research Analyst  
[WongHongWei@ocbc.com](mailto:WongHongWei@ocbc.com)

**Seow Zhi Qi**

Credit Research Analyst  
[ZhiQiSeow@ocbc.com](mailto:ZhiQiSeow@ocbc.com)

#### Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons did not hold financial interests in the above-mentioned issuer or company as at the time of the publication of this report.

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